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TAGS: [EAID](#) [KFPC](#) [KN](#) [KNNP](#) [KUNC](#) [PINR](#) [PREL](#) [UNDP](#)
SUBJECT: ACTION REQUEST:USUN PROPOSED COMMENTS TO UNDP ON
THE DPRK PROGRAM

REF: A. 00050
[B](#). 00051

[1](#). Per reftels, UNDP has delivered correspondence to USUN and made public statements on the UNDP DPRK country program. USUN proposes to respond with the letter below from Ambassador Mark Wallace to UNDP Associate Administrator Ad Melkert at opening of business on January 25, prior to the UNDP Executive Board discussion of the DPRK country program. USUN seeks Department concurrence with this action request.

[2](#). Text of proposed letter from Ambassador Qk Wallace to UNDP Associate Administrator Ad Melkert:

Begin Text: Dear Mr. Melkert,

Thank you for your letter of January 21, 2007. Ambassadors Wolff, Miller and I also appreciate the opportunity to discuss with you and Administrator Dervis the necessity of a serious, transparent, and reasoned approach resulting from the UNDP Executive Board's consideration of the DPRK country program to deal with the serious revelations about the conduct of that program.

While the issue of whether or not the UNDP continues its country program in the DPRK is ultimately a matter for UNDP member states to decide through the Executive Board, it remains UNDP's responsibility to ensure that UNDP country programs are implemented under the terms of UNDP rules.

The concern expressed by UNDP Executive Board members about the management of DPRK country program stem in part from their lack of information regarding potential weaknesses of the program. We are not aware, of any effort by UNDP to bring concerns regarding the DPRK country program to the Executive Board's attention. Importantly, you indicate that the UN's Board of Auditors annual report would reflect any and all country concerns in the DPRK to member states. We are not aware of any case in which the Board of Auditors annual report referred to any such concerns identified in your internal audits about the DPRK, and would certainly welcome your reference to any Executive Board meeting(s) wherein UNDP raised concerns regarding UNDP's violation of its rules in implementing the DPRK country program.

We welcome UNDP's decision to enforce its rules to no longer make hard "currency payment to the (DPRK) government, national partners, local staff and local vendors, " and to no longer sub-contract the recruitment of local national staff to the DPRK government.

We also welcome the "practical arrangements" that you advise have been made that now preclude local DPRK government staff from performing financial and core functions. We look forward to learning more about these arrangements and how they will help ensure adequate controls on the functions of

local DPRK government staff.

The claim in your letter that "UNDP in DPRK does not pay government suppliers in cash by cheque or bank transfer" is inconsistent with both your audit reports and your previous statements (and your decision to stop making cash payments effective March 1, 2007). Under existing rules, UNDP should not be making direct cash payments (cash, check or wire) or "advance payments" to the DPRK government for any (including NEX) programs, because as all parties agree the potential for abuse is too great. Therefore, we welcome your decision to cease making advance payments directly to the DPRK government as of January of this year.

Your letter notes that the Country office maintains on record the Evaluation of Audit of NEX annual letters. This presupposes that DPRK government audits are reliable or credible in the absence of any international role in the auditing of these projects.

Nonetheless, we would welcome reviewing the DPRK government audits that you and OAPR maintain provide reasonable assurance of the efficacy of DPRK NEX projects.

As you know, previous UNDP audits and your staff have indicated that the DPRK limited or precluded site visits to UNDP DPRK projects. Therefore, while it may be inconsistent with this previous information, we do welcome your assurances that recent site visits to projects have been allowed. We remain concerned, however, by your recent statement that UNDP failed to maintain required records of the site visits and urge you to ensure that adequate record keeping is taken in accordance with UNDP rules.

As you also know, we have previously received information

from your staff that UNDP pays rent to the DPRK for at least some of its country office expenses. We remain concerned about this practice, and seek more information regarding the DPRK's GLOC contributions, which you state amount to only 45% of its obligation - another apparent violation of UNDP rules.

Finally given the limited scope of the 1999, 2001, and 2004 audits, we greatly appreciate your decision to support a full independent and external audit of DPRK country going back to 1998. You indicate that the UN Board of Auditors annual reports were intended to flag your concerns with the DPRK country program to member states. Yet, no annual report of the Board since 1998 reflects such concerns, nor do they contain any reference to the UNDP DPRK country program.

For that reason, we believe it important that a fresh set of eyes in the form of outside independent private sector auditors be directly involved in conducting a real and comprehensive investigative audit of UNDP's DPRK country program. The examination should cover compliance with applicable rules, and regulations, management systems, operations, internal controls, and the effectiveness of accountability mechanisms. It should include a complete review of the decision-making processes that translate policies and rules into operational activities in the field. Accordingly, the external auditor should have expertise in these areas. Such an audit will provide a basis for addressing the weaknesses in the DPRK country program about which we all have a shared concern.

I appreciate all of your help and thank you for your attention to this matter. END TEXT.
WOLFF